BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, And Recovery of Associated Costs Through Proposed Ratemaking Mechanisms	Application 16-08-006 (Filed August 11, 2016)

RESPONSE OF THE CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL TO APPLICATION OF PACIFIC GAS & ELECTRIC COMPANY FOR APPROVAL OF THE RETIREMENT OF DIABLO CANYON POWER PLANT, IMPLEMENTATION OF THE JOINT PROPOSAL, AND RECOVERY OF ASSOCIATED COSTS THROUGH PROPOSED RATEMAKING MECHANISMS

September 15, 2016

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Pursuant to Rule 2.6 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the California Energy Efficiency Industry Council (Efficiency Council) hereby files *Response of the California Energy Efficiency Industry Council to the Application of Pacific Gas & Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, And Recovery of Associated Costs Through Proposed Ratemaking Mechanisms* (A.16-08-006) filed on August 11, 2016. This Application proposes to increase investment in energy efficiency, renewable resources, and other GHG-free resources while phasing out nuclear power in California in 2024 and 2025. The Application was listed in the Daily Calendar on August 16, 2016. Therefore, this protest is timely filed 30 days after the calendar notice.

I. EFFECT OF THE APPLICATION ON THE RESPONDENT

Members of the Efficiency Council are actively involved in California's energy efficiency and demand response industries and have a keen interest in energy efficiency and demand response policies established by the Commission. As the actual providers of energy efficiency and demand

response products and services and generators of green jobs, the Efficiency Council members' knowledge and expertise with respect to the issues surrounding effective implementation of energy efficiency and demand response, as well as the challenges faced by ratepayers and customers, can assist the state in reaching its energy goals. Our member companies provide energy efficiency services to residential, agricultural, commercial, and industrial customers throughout the service territory of the Applicant, PG&E, and will be directly bidding into the request for offers (RFOs) proposed in this Application for procurement of resources in Tranches 1 and 2.

II. RESPONSE TO THE APPLICATION

Many critical issues are addressed in the Application associated with the closing of Diablo Canyon Power Plant (DCPP) but we generally limit our response at this time to the procurement of 2,000 gross gigawatt-hours (GWh) of energy efficiency resources in Tranche 1.[1] We also want to note, however, that demand response (DR) is a key component of the loading order, and we strongly support including DR in the all-source RFO in Tranche #2.

Follows the Loading Order

The Application and Joint Proposal recognize California's long-standing commitment to the "loading order"[2] by the regulating energy agencies and the Legislature by prioritizing GHG-free energy efficiency for replacement resources before the retirement of DCPP. This is exactly what the loading order intends for procurement planning – to first, "optimize all strategies for increasing conservation and energy efficiency to minimize increases in electricity and natural gas demand."[3]

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[1] Application at pp. 9, 16; Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated Costs through Proposed Ratemaking Mechanism, Prepared Testimony, Chapter 4, Janice S. Berman.

[2] Public Utilities Code section 454.5 (b)(9)(c) "The electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible."

[3] "Energy Action Plan I," California Energy Commission, California Public Utilities Commission and Consumer Power and Conservation Financing Authority, May 8, 2003, p 5. Available at: http://docs.cpuc.ca.gov/word_pdf/REPORT/28715.pdf

"Cost effective energy efficiency is the resource of first choice for meeting California's energy needs. Energy efficiency is the least cost, most reliable, and most environmentally sensitive resource, and minimizes our contribution to climate change."[4]

Expeditious Procurement Funding, Process & Approvals

The parties to the Application and Joint Proposal are to be commended for their foresight in advance planning for the closure of DCPP and strategically addressing the replacement resources needed to replace the load lost by the plant. The Applicant has avoided the hurried procurement planning that resulted after the abrupt closure of the San Onofre Nuclear Generating Station, the result of which was an increase in greenhouse gas emissions in the Los Angeles Basin.[5]

We support the use of competitive solicitations through RFOs as the primary method of securing energy efficiency resources. This method is consistent with the Commission's recent decision in the Rolling Portfolio in which competitive third party procurement was the preferred approach to meeting energy efficiency program needs.[6] We urge the Commission to recognize the added challenges associated with procurement of resources on the customer's side of the meter in contrast to traditional wholesale procurement to meet load. Unlike other procurement which is technology-based (e.g. solar), the procurement of energy efficiency relies on extensive customer identification and participation. In order to meet the installation targets of the Application – 2018-2024 – it is critical that the RFO process moves expeditiously but transparently as proposed. Consequently we also support the program budget request of $1,293.8 million to meet the Tranche

[4] "Energy Action Plan II, Implementation Roadmap for Energy Policies," California Energy Commission and California Public Utilities Commission, September 21, 2005, p. 3. Available at: http://docs.cpuc.ca.gov/word_pdf/REPORT/51604.pdf

[5] "Greenhouse gas emissions from power plants in California increased by 35% in 2012, partly due to the early closure of the San Onofre nuclear power plant," *California emissions rise on San Onofre shut down*, World Nuclear News, November 5, 2013, available at: http://www.world-nuclear-news.org/EE-California-emissions-rise-on-San-Onofre-shut-down-0511135.html

[6] *Decision Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings*, August 18, 2016, D.16-08-019 at pp. 67-75.

#1 target to support the RFO process and specifically the approval of contracts through the use of Tier 3 advice letters.

Cost Effectiveness

Current energy efficiency programs rely on the total resource cost test (TRC) for determining cost effectiveness[7] but we agree with the Applicant that this test is not an appropriate basis for measuring energy efficiency against the other generation resources to meet the replacement needs associated with the closure of DCPP. We support the use of the program administrator cost test[8] (PAC test) for this tranche of procurement as proposed. The PAC test provides a more reasonable basis for comparing the costs of energy efficiency procurement against other supply side resources and addresses the limits of the TRC which compares the benefits with the total costs and includes customer costs which are not known in advance of an RFO. The PAC test will measure the costs as a resource option based upon the total costs that accrue to the utility.

Incrementality/Differentiation

We do however have one area of concern with the Application and that is the approach for what the Applicant refers to as "differentiation" or what is also referred to in other proceedings as "incrementality." To prevent the double-counting of energy efficiency resources from programs in the Rolling Portfolio, a Tranche #1 bidder would be required to show "how their proposed EE programs or projects would be differentiated from the resources obtained in PG&E's existing EE portfolio."[9]

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[7] See *Energy Efficiency Policy Manual* at p. 17, available at: http://www.cpuc.ca.gov/uploadedfiles/cpuc_public_website/content/utilities_and_industries/energy_-_electricity_and_natural_gas/eepolicymanualv5forpdf.pdf

[8] *Id.* at 18.

[9] R.14-10-003, Joint Assigned Commissioner and Administrative Law Judge Ruling and Amended Scoping Memo, February 26, 2016, at 6.

The issue is also being addressed in the Integrated Distributed Energy Resources proceeding.[10] Earlier this summer significant discussion occurred in the Competitive Solicitation Framework Working Group on the question of how to determine incrementality for competitive solicitations in distribution resource planning areas. The parties did not reach consensus on this issue which is reflected in the group's report.[11]

In prior procurements in which energy efficiency was an eligible resource, Southern California Edison also required the bidder to prove differentiation which was not constructive and we think resulted in an arbitrary approach to bid selection.[12] We commented on that issue in the IDER proceeding in response to the CSFWG report:

> Learning from prior all-source and preferred resource solicitations, we know that when the parameters of the bid for DERs are not clear in the RFO, the utility and bidders, at least for energy efficiency, find themselves involved in exhausting debate over whether the DER in the bid is additive to those resources in planning assumptions, planned in the Rolling Portfolio, and those actually deployed. The debate results in arbitrary determinations of qualifying bids for energy efficiency and is a disservice to ratepayers due to the likelihood of stranded opportunities to deploy DERs. There should be clear parameters for determining incrementality or double-counting as part of the initial offering that do not change after the RFO has been issued.[13]

We think that the Applicant's proposal for proving differentiation for the Tranche 1 procurement is also likely to have similar unproductive and arbitrary results. Further work is needed to evaluate different approaches to addressing this important issue to ensure an efficient RFO process and fruitful results.

III. REQUEST FOR PARTY STATUS & COMMUNICATION OF SERVICE

Pursuant to Rule 1.4 (a) (2) of the Commission's Rules, the Efficiency Council requests active party status in this proceeding. For the purpose of receipt of all correspondence, pleadings,

[10] R.14-10-003
[11] *See* "Competitive Solicitation Working Group Final Report," August 1, 2016, at pp.18-32, R.14-10-003.
[12] IDER Workshop to Discuss Lessons Learned from Prior Solicitation Experience, March 28, 2016.
[13] *Opening Comments of the California Energy Efficiency Industry Council on Competitive Solicitation Framework Working Group Final Report,* August 22, 2016, R.14-10-003 at 6.

orders and notices in this proceeding, the following representative for the Efficiency Council should be placed on the service list as a "party":

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IV. CATEGORIZATION OF PROCEEDING, NEED FOR HEARINGS & HEARINGS & PROPOSED PROCEDURAL SCHEDULE

The Efficiency Council offers no comments or objections regarding the Applicant's statements on the proposed category, need for hearing, and proposed schedule.

V. CONCLUSION

The Efficiency Council looks forward to participating in this proceeding regarding this important subject and believes that the issues outlined in this Response must be considered to achieve the goals sought by the Commission in order to be consistent with the policies established by the Commission.

Date: September 15, 2016

Respectfully submitted,

By: _____/s/_____
Kellie Smith

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